

THE ESSENTIAL GUIDE TO RELOCATING AND LIVING IN PORTUGAL

ALL FINANCE MATTERS

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1. WHY CHOOSE PORTUGAL?

Many factors contribute to Portugal's appeal, including its ideal geographic location, mild climate, and rich cultural heritage. Portugal also stands out as a prime destination for professionals, retirees, and investors alike due to its appealing combination of lifestyle benefits and favorable tax policies.

Here's why Portugal could be your next best move:

- **Ideal Geographic Location:** Portugal serves as a strategic gateway connecting Europe, Africa, and America, providing easy access to international travel.

- **Excellent Quality of Life:** The mild climate allows for outdoor activities year-round, with beautiful beaches, scenic hiking trails, and picturesque towns to explore. With affordable living costs and excellent healthcare, Portugal offers a balanced lifestyle for families and retirees.

- **Culinary Delights:** Portugal's rich culinary tradition, featuring world-class wines and delicious local dishes, makes every meal a special occasion.

- **Diversity of Landscapes:** Within a short drive, one can transition from the serene coastline to the majestic mountains, offering endless opportunities for exploration and adventure.

- **Welcoming and Safe:** Renowned for its hospitality and high English proficiency, Portugal is considered one of the safest countries in the world, making it an ideal place to settle down or invest.

- **Favorable Tax Regime:** Portugal's Fiscal Incentive for Scientific Research and Innovation (IFICI+) Program, which has replaced the previous Non-Habitual Resident (NHR) regime, offers a reduced personal income tax (PIT) rate of 20% on employment and self-employment income for eligible activities, compared to the usual progressive rates of 14% to 53%. The IFICI+ program provides exemptions on most foreign income sources, including employment, independent work, capital investment income, royalties, and capital gains, provided the income is not from black-listed jurisdictions. However, foreign pensions are now subject to full taxation at standard progressive rates.

- **No Inheritance, Wealth, or Gift Tax:** Unlike many countries, Portugal does not impose an inheritance tax, nor does it have a wealth tax, providing peace of mind for estate planning. Regarding gift tax, personal gifts are exempt from tax (10%) if under 500€, and gifts between descendants and ascendants are always exempt, though gifts over 5.000€ must be reported to the tax office.

- **Extensive Double Taxation Agreements:** Portugal has signed more than

70 double taxation agreements (DTAs), ensuring that residents can avoid being taxed twice on the same income in different countries.

- **Youth Tax Benefits in State of Budget 2025:** The Young IRS model has been expanded to apply for up to ten years, until age 35. A 25-year-old, for example, will benefit until 35, while a 30-year-old will only enjoy the reduction for five years. Exemptions start at 100% in the first year, then decrease to 75% in years 2–4, 50% in years 5–7, and 25% in years 8–10. Additionally, people up to 35 years will also benefit from exemptions on Property Transfer Tax (IMT) and Stamp Duty for properties up to 316.772€. A public guarantee for bank loans for young buyers is expected to be available by year-end.



2. WHY CHOOSE ALL FINANCE MATTERS?

At All Finance Matters, we understand the unique challenges expats face when moving to Portugal. Our comprehensive range of services is designed to support you every step of the way, ensuring a smooth transition and helping you settle comfortably into your new life.

Our Services:

1. **Relocation Services:** Relocating to a new country can be an overwhelming experience. Our relocation services are designed to guide you through every step of the process. We assist you in navigating the fiscal system, obtaining your NIF, registering with Social Security, and we offer support for car registration and importation, as well as obtaining your driver's license. Additio-

nally, our team is here to help with your visa application and to ensure a smooth residency process. With our expertise, we strive to make your transition as seamless as possible.

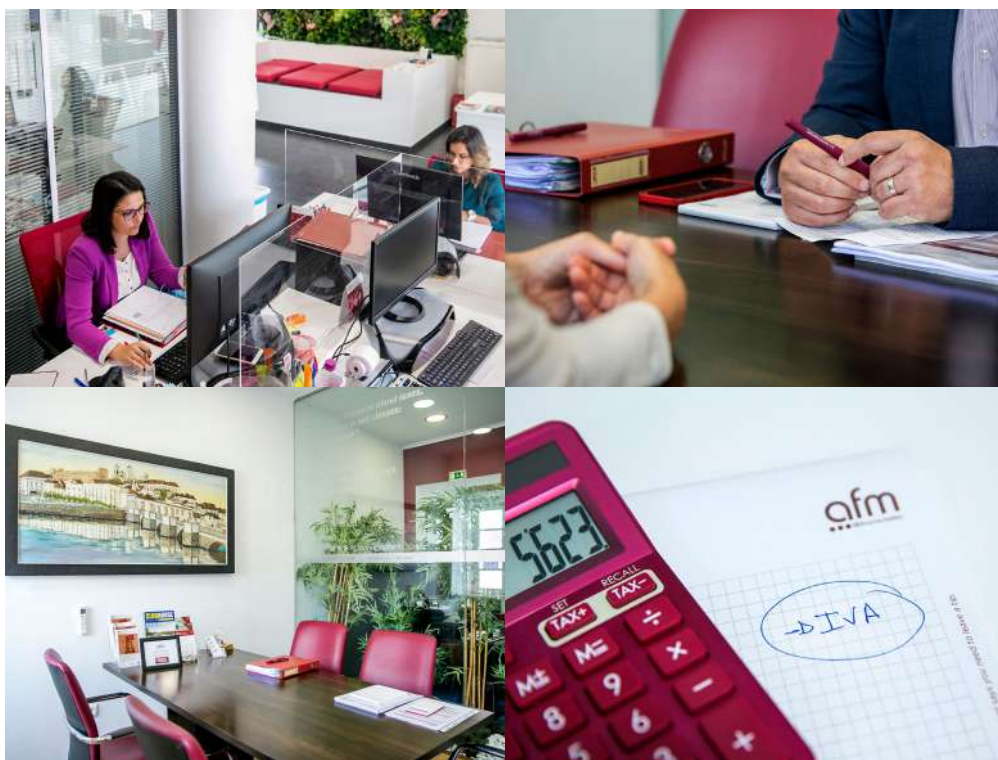
2. Accountancy for Businesses and Individuals: Whether you're an entrepreneur or an individual, our expert accountants will help you manage your finances, ensuring compliance with local regulations and optimizing your tax position.

3. Tax Advice: Navigating the Portuguese tax system can be complex. Our experienced tax advisors offer tailored guidance to help you understand your obligations and benefits. This includes insights into the Non-Habitual Resident Tax Regime and the new IFICI+ regime, which will replace the NHR regime.

4. Fiscal Representation: As your fiscal representative, we handle all interactions with the tax authorities, allowing you to focus on what matters most—enjoying your new life in Portugal.

5. Property Rental Compliance: Renting a property in Portugal as a business comes with its own set of regulations. We ensure you meet all compliance requirements, helping you avoid potential pitfalls.

6. Personal Income Tax: Our specialists provide personalized assistance with your personal income tax filings, ensuring you take advantage of all available deductions and credits.



3. MOVING TO PORTUGAL: UNDERSTANDING THE PROCESS:

Relocating to Portugal involves navigating various legal and bureaucratic processes.

EU citizens and Iceland, Liechtenstein, Norway or Switzerland citizens can stay in Portugal for over three months by obtaining a registration certificate from their local City Hall, while **non-EU citizens** must apply for a visa or residence permit, depending on the purpose of their stay.

Key steps in the relocation process include:

1. Obtaining a NIF (Número de Identificação Fiscal): This tax identification number is essential for various financial transactions, including opening a bank account and signing contracts.

2. Opening a Bank Account: Establishing a local bank account will simplify daily transactions and facilitate payments.

3. Finding Suitable Housing: Whether you're attracted to the vibrant atmosphere of Lisbon or the serene charm of Tavira along the Algarve coast, securing a comfortable home—whether to buy or rent—is essential.

4. Obtaining a Residence Permit: EU citizens must obtain a registration certificate from their local City Hall, while non-EU citizens need to apply for a visa to establish residency in Portugal.

5. Relocate to Portugal: Once you have completed the necessary preparations and paperwork, it's time to move to Portugal. Ensure you have all your important documents, personal belongings, and a plan for settling into your new home.

6. Engage Accounting Services and Health Insurance: To ensure compliance with local regulations and effectively manage your finances, it's essential to engage professional accounting services. At All Finance Matters, we specialize in providing tailored accountancy services for both individuals and businesses, ensuring you navigate the Portuguese financial landscape with confidence. Portugal has a public healthcare system (SNS) that provides affordable care but wait times can be long. As a result, many expats opt for private healthcare to



ensure faster access to medical services. At All Finance Matters, we can assist you in securing the right insurances to safeguard you have access to quality medical care while living in Portugal.

Residence Permits in Portugal:

Portugal offers a wide range of options for obtaining residence permits, particularly through investment opportunities. We work closely with experienced immigration lawyers to guide you through every step of the visa application process. Each visa has unique eligibility criteria and procedures, which is why we offer tailored packages designed to meet your specific needs.

Here are the primary options available:

1. Work Visas: Portugal offers various work visas for individuals seeking employment in the country.

2. Student Visas: Student visas are designed for those who wish to study in Portugal. They allow international students to enroll in academic programs at recognized educational institutions.

3. Family Reunification Visas: This visa category enables family members of residents or citizens to join their loved ones in Portugal.

4. Retiree Visas: For retirees wishing to live in Portugal, the retiree visa allows individuals to reside in the country if they can demonstrate a stable source of income or pension.

4. TAXATION IN PORTUGAL:

Understanding the Portuguese tax system is essential for anyone relocating to the country. Tax residents in Portugal are subject to taxation on their worldwide income, which includes earnings from both domestic and foreign sources. To prevent double taxation, Portugal has signed several Double Taxation Agreements (DTAs), ensuring individuals are not taxed twice on the same income.

Portugal's tax structure is progressive, meaning tax rates increase with higher income levels.

All income must be reported in the annual tax return, which is submitted between April and June for the previous calendar year (January to December or from the date you became a tax resident). This includes salaries, rental income, investment returns, and any other earnings. Furthermore, tax residents are required to declare all foreign bank accounts, providing the IBAN and BIC/SWIFT codes, even if these accounts have not generated any income.

Furthermore, property owners must pay the Imposto Municipal sobre Imóveis (IMI), which is an annual property tax based on the value of the property.

Moreover, car owners are required to pay the Imposto Único de Circulação (IUC), an annual vehicle tax based on factors such as the car's age, engine size, and CO2 emissions. It's important to stay informed about these obligations to ensure compliance with local tax regulations. To avoid any missed payments and potential penalties, at AFM we always recommend setting up these taxes on direct debit, ensuring timely payments and peace of mind regarding your tax obligations.

Additionally, Portugal offers various tax benefits aimed at attracting new residents:

1. Non-Habitual Resident (NHR) Tax Regime – Set to be Discontinued in 2025: This program provides favorable tax rates for certain types of income for a period of 10 years, although recent changes have affected its availability for new applicants.

2. Tax Incentive for Scientific Research and Innovation (IFICI+): Aimed at high-value activities, this incentive allows qualified professionals to benefit from a flat tax rate of 20% on specific income.

3. Double Taxation Agreements (DTAs): Portugal has established numerous DTAs with various countries to prevent double taxation, ensuring that expats do not pay tax on the same income in both Portugal and their home countries.

4. Youth Tax Benefits in State of Budget 2025: The Young IRS model has been expanded to apply for up to ten years, until age 35. A 25-year-old, for example, will benefit until 35, while a 30-year-old will only enjoy the reduction for five years. Exemptions start at 100% in the first year, then decrease to 75% in years 2-4, 50% in years 5-7, and 25% in years 8-10.



5. PRACTICAL ASPECTS OF LIVING IN PORTUGAL:

1. Education System:

Public Schools: Public schools in Portugal are free and follow the national curriculum and are taught primarily in Portuguese, making them an excellent choice for families seeking immersion in the local language and culture. Public schools are spread across the country, providing accessible education in both urban and rural areas.

International Schools: If you're moving to Portugal with children, you'll be pleased to know that the country offers a wide variety of international schools, particularly in Lisbon, Porto, and the Algarve. These schools provide curricula in English or other languages, following either the British, American, or International Baccalaureate systems.

Higher Education: Portugal is home to several renowned universities. Portugal's universities attract international students due to their high academic standards, affordable tuition fees, and vibrant student communities. Whether you are looking to further your education or support family members in their studies, Portugal's higher education system provides excellent opportunities for academic and professional growth.

2. Buying Property:

The property acquisition process in Portugal begins with the signing of a promissory contract and the payment of a deposit, followed by the completion of the transaction through a notarial deed. Buyers are responsible for taxes, including the Municipal Property Transfer Tax (IMT), and once the property is purchased, an annual IMI (municipal council tax) is required, though some exemptions may apply. Below, we outline the primary avenues for property acquisition in Portugal and highlight new incentives for young buyers.

Direct Purchase: Direct purchase is the most common method and is ideal for those seeking to establish a primary residence. This approach offers significant tax advantages, including an exemption from AIMI (additional municipal property tax) for properties valued under €650,000 and lower IMI rates. When it comes to selling, capital gains tax (CGT) is applied to only 50% of the profit, with potential exemptions if the proceeds are reinvested in another property. It's worth noting that short-term rentals face stricter licensing requirements for apartments and have specific tax obligations.

Purchase via a Foreign Company: This option is best for individuals who do not plan to reside in Portugal. Purchasing property through a foreign company allows buyers to use company funds; however, they should be aware of a higher

CGT rate of 25%, with no benefits for reinvestment and additional AIMI obligations.

Purchase via a Portuguese Limited Company: This avenue enables the use of foreign funds and offers potential tax savings on rental income and property renovations. However, it requires appointing an accountant and a company director and compliance with corporate tax rates. Additionally, reinvesting in new properties can help reduce CGT.

Home Purchase Incentives for People Up to 35 Years: To support young people in Portugal, the Government has introduced new measures to facilitate home ownership for first-time buyers.

- **Tax Benefits:** Individuals aged 35 or younger can benefit from exemptions on the Municipal Property Transfer Tax (IMT) and Stamp Duty (IS) for homes valued at €316,772 or less. For properties above this amount, IMT applies only to the excess value. Eligibility criteria include not having owned property in the past three years and using the home as a primary residence for at least six years.

- **Personal Guarantees:** The State will provide guarantees of up to 15% on housing loans for individuals aged 18–35 who are residents, do not own property, and whose income falls below the 8th tax bracket. The maximum property value for this incentive is €450,000.

These measures, effective from August 1st, are designed to address the housing crisis and promote stability for young buyers in Portugal.



3. Rental Contracts: To rent a property in Portugal, several requirements must be met.

First and foremost, you will need a tax number (NIF), which is a tax identification number essential for various transactions in the country, including signing a rental contract. Additionally, having a Portuguese bank account is crucial for

managing rental payments and deposits.

While not a strict requirement, having a stable job or a reliable source of income is highly advantageous. Many landlords prefer tenants who can demonstrate financial stability through employment or consistent income, as this reassures them of your ability to meet rental obligations.

Once you have secured your NIF, bank account, and proof of income, it is important to have a signed rental contract. This contract should clearly outline the terms of the rental agreement, including the duration of the lease, monthly rent amount, security deposit, and any rules regarding rental increases.

If you are considering renting out a property as a business, it's crucial to comply with local regulations regarding short-term accommodations and tourist licenses. Currently, there are no new licenses available to operate an Alojamento Local (AL) business in apartments, except in low-density areas. To ensure you meet all legal requirements and navigate the complexities of the rental business, All Finance Matters is here to assist you.

4. Portuguese Language: While many people in Portugal speak English well, learning Portuguese can enhance your experience of moving here. Knowing the local language helps with daily tasks, such as shopping and handling paperwork, and makes it easier to connect with the culture. Many language schools offer courses for expats, and even public schools sometimes provide these courses. Although you don't need to learn Portuguese to live in Portugal, it is strongly recommended for those planning to stay long-term.

5. Cultural Adjustment: Portugal is known for its warm and welcoming people, helping expats feel at home quickly. Understanding local customs and traditions enhances this experience. Family, hospitality, and social connections are central to Portuguese society, where gatherings for meals and celebrations are common. Greetings typically involve a handshake or two kisses on the cheek. When dining at restaurants, tipping is appreciated but not mandatory. Portugal boasts vibrant festivals, like the Festa de São João in Porto, and folk traditions such as Fado music. As a predominantly Catholic country, many national holidays and traditions are tied to religious observances. Traditional dishes, like bacalhau and pastéis de nata, play an integral role in the cultural identity.

6. Public Transport: Major cities like Lisbon and Porto boast extensive and reliable metro networks, making urban navigation easy. For long-distance travel, options include several bus services (like Rede Expresso) and the rail network (Comboios de Portugal), which offers connections

throughout the country, including high-speed trains (Alfa Pendular) for quicker journeys between major cities.

While intercity travel is facilitated by buses and trains connecting cities like Lisbon, Porto, and Faro, public transport options in other regions are more limited. Outside these major cities, you can use local buses to get around and travel to different cities, as well as the train services. Additionally, Uber and other taxi services are widely available across the country.

7. Driving in Portugal: Expats from *EU countries* can use their foreign driver's license in Portugal until it expires. After that, it must be exchanged for a Portuguese license.

For individuals from countries that have signed the *OECD and CPLP agreements*, it is permissible to drive with a foreign license, subject to specific requirements. These include ensuring that the license is no older than 15 years and that the driver is between 18 and 60 years old, among other conditions.

Non-EU citizens can utilize their foreign driver's license for up to 90 days. During this period, they should either apply to exchange it for a Portuguese license or apply for a Portuguese license outright. AFM is here to assist with this process.

If you're importing a car, be aware that specific regulations must be adhered to, including the payment of taxes such as the Imposto Sobre Veículos (ISV), which is determined by the vehicle's emissions and age. AFM is here to assist with this process as well.

Additionally, you are required to pay the IUC (Car tax), an annual car tax fee due by the last day of the month in which the car was registered. It's important to note that this tax is not sent to you by post and can easily be overlooked. To avoid late penalties, consider setting up a direct debit for your payments.

8. Living Expenses: Portugal offers a relatively low cost of living compared to other Western European countries, although the real estate market is currently in crisis.

The average monthly rent for an apartment in Tavira ranges from 700€ to 1.200€, while utilities like electricity, water, and internet typically cost between 100€ and 150€ per month. Groceries are affordable, and dining out is reasonably priced, with many local eateries serving excellent meals for under €15.

9. Utilities and Internet: Setting up utilities in Portugal is generally straightforward, but it's important to understand your options.

The main utilities include electricity, water, and gas, and many providers offer bundled packages that include internet, TV, and mobile services. We recommend setting up direct debit payments to ensure you never miss a bill.

10. Starting a Business in Portugal: Starting a business in Portugal requires registering your company or individual activity, along with registering for social security and VAT, depending on your specific circumstances. For sole traders, the first year of activity is typically exempt from social security contributions, providing a helpful financial advantage as you establish your business. Portugal also offers several benefits for startups, including a 20% flat tax rate, which can significantly reduce your tax burden in the early stages of your business.

At AFM, we offer comprehensive services for entrepreneurs, guiding you through the entire process to ensure compliance with local regulations, optimize your tax efficiency, and help you navigate the requirements for social security and VAT registration.



6. FINAL CONSIDERATIONS:

Portugal is one of Europe's most attractive countries for new residents due to its strategic location, high quality of life, and favorable tax regimes.

Portugal has established over 70 Double Taxation Agreements (DTAs), helping residents avoid being taxed twice on the same income in multiple countries. Additionally, the NHR and IFICI+ regimes offer valuable tax benefits for professionals, investors, and entrepreneurs, particularly those involved in research, innovation, and high-value industries. These regimes significantly reduce tax liabilities, making Portugal an attractive destination for global talent and businesses seeking tax efficiency and opportunities for growth in cutting-edge sectors.

Portugal also boasts no inheritance, wealth, or gift taxes, and offers significant tax reductions for young people up to age 35.

At All Finance Matters, we are dedicated to helping you settle into this amazing country. With our expertise and personalized services, we provide the support you need for a smooth relocation.

An aerial photograph of a coastline featuring a wide, sandy beach on the left, a series of steep, eroded cliffs in the center, and a residential area with green trees and white buildings on the right. The sky is clear and blue.

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For any inquiries or support with the residency process for businesses or individuals, our team can guide you through the whole moving process. Feel free to reach out to us at info@afm.tax or call us at +351 281 029 059.

"YOU MUST PAY TAXES, BUT THERE'S NO LAW THAT SAYS YOU NEED TO LEAVE A TIP."